GOVERNMENT OF INDIA
LAW , JUSTICE AND COMPANY AFFAIRS
LOK SABHA

STARRED QUESTION NO:562
ANSWERED ON:26.04.2001
DEBENTURE REDEMPTIONS
UMMAREDDY VENKATESWARLU

Will the Minister of LAW , JUSTICE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Government have a proposal to mandate a reserve for debenture redemptions to protect investors;

(b) if so, the details thereof and the present status of the proposal;

(c) whether the Government propose to take other steps to ensure that investors are given protection when they buy debentures; and

(d) if so, the details thereof?

Answer

MINISTER OF LAW, JUSTICE & COMPANY AFFAIRS AND SHIPPING (SHRI ARUN JAITLEY)

A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN LOK SABHA STARRED QUESTION NO. 562 FOR ANSWER ON 26-4-2001

(a) and (b): A new section 117C has been inserted in the Companies Act, 1956 through Companies (Amendment) Act, 2000 which makes it mandatory for every company issuing debentures after the commencement of the Companies (Amendment) Act, 2000 to create a debenture redemption reserve to which adequate amount which will be credited out of profits every year until such debentures are redeemed.

(c) and (d): Yes Sir. A new section 117B has been inserted in the Companies Act., 1956 . According to this every company mandatorily has to appoint one or more debenture trustees before issue of prospectus. The name of such trustee/trustees must find a place on the face of the prospectus alongwith consent.